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# Conflict of Interests policy in relation to our stewardship activities

The Markets in Financial Instruments Directive (MiFID, 2014/65/UE), Directive 2009/65/EC (UCITS Directive) and Directive 2011/61/EU (AIFM Directive) require from asset managers to take necessary specific arrangements, in terms of organization and controls, to prevent conflicts of interests and, when they cannot be avoided, to identify, manage and monitor them in order to avoid damaging clients' interests and should they arise, disclose these situations of conflicts of interests to the clients.

The UK Stewardship Code 2020 under its third principle provides that its signatories disclose their conflicts[1] policy and how it has been applied to stewardship.

Finally, under the Shareholder Rights Directive, asset managers are required to disclose certain information to unit holders and to some institutional investors in the aim of increasing transparency with regard to their investment strategy. This information includes whether and, if so, which conflicts-of interests have arisen in connection with engagement activities and how they have been managed.

This document aims at explaining AXA Investment Managers ("AXA IM") entities' approach to conflicts of interests arising from its stewardship activities and is complementary to AXA IM's general conflict of interests policy.

AXA Investment Managers Paris conflict of interests policy in French is available here: [https://particuliers.axa-im.fr/nos-politiques-internes-et-autres-informations-importantes](https://particuliers.axa-im.fr/nos-politiques-internes-et-autres-informations-importantes)

[1] The UK Stewardship Code 2020 defines a conflict of interest by the following:
*"Conflicts may arise as a result of:*

- *Ownership structure;*
- *Business relationships between asset owners and asset managers, and/or the assets they manage; • differences between the stewardship policies of managers and their clients;*
- *Cross-directorships;*
- *Bond and equity managers' objectives; and*
- *Client or beneficiary interests diverging from each other."*

AXA Investment Managers UK Limited conflict of interests policy in English is available here: https://retail.axa-im.co.uk/mifid

# What is a conflict of interests?

In general, we consider that a conflict of interests can occur especially between a client and:

- Another client;
- AXA IM, or one of its collaborators (or any person or company directly or indirectly linked to them);
- A related company: one of its delegates or subdelegates, a service provider or another entity of the Group (AXA IM or AXA), an introducer or any commercial intermediary.

By "conflict of interest" we mean a situation whereby the interests of AXA IM, of AXA IM's employees, of a third-party delegate or a related company are, directly or indirectly, in competition with the interest of one or several clients, or among those parties. It also pertains to potential conflicts that may occur between AXA IM's clients.
An "interest" means an inducement of any kind, material or immaterial, professional, commercial, financial or personal.

## Identification and remedial process

In relation to our stewardship activities, including engagement and voting, we have adopted a set of guidelines to identify circumstances which may give rise to conflicts of interests. These guidelines include relationships with listed affiliates such as our parent company, AXA SA, key clients and significant suppliers.
We manage conflicts within our voting and engagement activities using the following approach.
Firstly, the engagement programme at AXA IM is a proactive approach with a clear process for selecting priorities - including planning, prioritisation, execution, and reporting. The engagement programme is supervised and governed by the ESG Monitoring & Engagement Committee. This ensures that decisions taken to engage are aligned with the engagement strategy of AXA IM and is free from any outside influence.
Secondly, the Corporate Governance Committee has the sole responsibility for taking voting decisions in identified situations of conflict on behalf of clients who have given AXA IM full discretion to vote. Voting decisions are taken prior to any reference or discussions with clients who have not delegated voting rights to the Corporate Governance Committee or have their own Policy. This is to ensure that decisions are free from outside influence.
We aim to align our voting and engagement practices with best practice in the markets in which we operate. Where potential conflicts of interest have been identified, recommendations to vote in support of management resolutions contrary to our regular Policy position will be escalated to the Corporate Governance Committee. Any decision by the Committee to vote contrary to the Policy position in these cases will be supported by a written record. An independent voting advisory service has been appointed to take voting decisions on behalf of our third-party clients at the general meetings of our parent company, AXA SA.

# Examples

## Voting-Company 1

*Situation:* We have identified Company 1 as a case where board arrangements lacked independent oversight and where the remuneration granted raised structural concerns. Shareholders in the previous year significantly dissented on the remuneration granted to the lead executive, which led us to conclude the materialization of our concerns and the need to translate them to a voting decision, consistent with our previous year's vote.
Company 1 has an ongoing business relationship with AXA SA, our parent company, which leads to situation of conflict of interest.

*Identification and mitigation process*: Our internal processes had already identified Company 1 as a company where a conflict of interests situation arises. As soon as we received the meeting material and voting recommendations from two of our three service providers, we analyzed the resolutions internally and decided to vote against several proposals, in line with our voting policy, with no deviation.

*Outcome:* The facts and voting decision were presented to and approved by the Corporate Governance Committee, and the votes were executed accordingly.

## Engagement-Company 2

***Situation:*** Our long-standing engagement effort at Company 2 has allowed us to identify climate risk as one of the most important challenges facing the company on the long-term. We have been engaging with the company both individually and via a collaborative initiative. While the company has been taking some positive steps in addressing shareholders' ESG concerns, it was deemed that a major shift in practices will be needed in the future to match actions and commitments.
Company 2 has an ongoing business relationship with AXA SA, our parent company, which leads to a situation of conflict of interest.

***Identification and mitigation process:*** Our engagement is proactive and the identified ESG priority was clearly set before any engagement started. This ensured that no conflict was present at that stage. As engagement progresses, milestones were set and reported against to the ESG Monitoring & Engagement Committee. We balanced our engagement results with the analysis of Company 2's Annual General Meeting material and decided to vote on ESG issues in line with the recommendations under our policy and the main policy recommendations issued by proxy advisory firms, and not deviate, recognizing the positive direction of travel and pending future engagement milestone achievements.

***Outcome:*** Engagement prioritization and reporting were presented to the ESG Monitoring & Engagement Committee. The facts and voting decision were presented to and approved by the Corporate Governance Committee, and the votes were executed accordingly. Our voting recommendation was tested against main proxy advisory firms' recommendations on annual general meeting to verify the robustness of our analysis.

## Voting & Engagement-Company 3

***Situation:*** We identified a professional director with an excessive number of outside mandates on a number of boards of companies in which we are shareholders, including Company 3.
In addition to business relationships with AXA SA, our parent company, the board member identified had a professional relationship with AXA IM, which leads to a situation of conflict of interest.

***Identification and mitigation process:*** As soon as we identified the conflict and the corporate governance issue at hand with respect to our voting policy, we engaged with a number of companies at which the identified board member held a mandate. We explained our voting policy and listened to how they approached the issue of their board members' time commitments. While the explanation took into consideration time commitment concerns, we were not satisfied of the answers as to change the engagement outcome and influence positively the voting policy. Consequently, we did not deviate from our voting policy recommendations, and voted against the concerned director at Company 3's board where he was up for reelection.

***Outcome:*** Our engagement with Company 3 was documented and measured against milestones and our voting policy. The facts and voting decision where presented to and approved by the Corporate Governance Committee, and the votes were executed accordingly, with no deviation.